

Dave Ladd – Kelley Cawthorne
Testimony on behalf of American Express
House Tax Policy Committee
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Section 3 (5), page 6 line 24, of HB 6421, reduces the unclaimed property period for travelers' checks from fifteen to three years.

American Express has issued travelers checks for well over 100 years; in fact, American Express invented the product. Moreover, we were instrumental in working with the states to establish a uniform fifteen-year unclaimed property period for travelers checks, a matter of law for every state in the country. The National Conference of Commissioners on Uniform State Laws has endorsed the 15 year period each time it has reviewed the Uniform Unclaimed Property Act, in 1954, 1966, 1981 and 1995

Travelers Checks (TCs) are unlike any other form of property subject to unclaimed property laws. Many persons intentionally retain TCs, without cashing them, for many years after purchasing them, to have them available for future use. This is especially true for older Americans. It is not uncommon for a purchaser to cash a TC ten, fifteen or even twenty years after the date of purchase. Furthermore, TCs checks are designed to be valid for an indefinite period; they bear no date of sale and no date of maturity. In essence, they are designed to be a safe alternative to cash.

As a result, purchasers hold onto them for long periods of time, often as a convenient source of emergency funds. Statistics in fact show that uncashed travelers checks should not be presumed to be "abandoned," even after fifteen years. Our historical data for Michigan in fact shows that after the fifteen year dormancy period is reached; all but 0.19% of travelers' checks sold in this state remained uncashed.

Why is fifteen years so important to us? Quite simply, the economics of the product are dependent on our ability to hold the funds for that amount of time. Our sole source of revenue for TCs sold by our sellers, financial institutions like community banks and credit unions, comes from the interest earned on those funds prior to cashing the checks. We do not charge consumer fees for TCs. Although many of our sellers charge a nominal fee; we do not share in those proceeds.

We must therefore fund our travelers check operations entirely out of the interest we earn from uncashed checks. Without a fifteen year unclaimed property period, it becomes uneconomical for us to offer the product. Said differently, if HB 6421 were enacted in its current form, American Express would be forced to reevaluate its ability to offer TCs in Michigan.

Additionally, any revenue assumptions based on TC escheats is misleading. Michigan would see no short-term infusion of funds, for a couple of reasons. First, we believe strongly that any attempt to apply the language retroactively to travelers checks already sold constitutes an unconstitutional taking of our vested rights and an impairment of our contracts. Language similar to HB 6421 was enacted as part of the Kentucky budget legislation in 2006. That language was subsequently struck down by a Federal court decision on June 15 of last year. Because of the Kentucky decision, Arizona passed a similar law, and then repealed it five months later.

Second, the TC proceeds escheated to Michigan will eventually be reclaimed by American Express as purchasers cash TCs over time. Again, only .19% of TC's sold in MI remains uncashed. To be more specific, all TCs that escheat to the state will eventually be reclaimed by American Express. Once the administrative expense of TCs are calculated, it is likely, Michigan will lose money on this provision and bear the cost of lengthy litigation. More important however, is that the citizens of Michigan will no longer have access to a safe form of payment for their travel and other financial needs.